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# FINANCIAL HISTORY



PUBLISHED BY THE MUSEUM OF AMERICAN FINANCIAL HISTORY



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## FRIENDS OF FINANCIAL HISTORY

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Cover photo: 1896 Political Cartoon of Democratic Presidential Nominee William Jennings Bryan. Special thanks to Culver Pictures Inc., New York City for use of the illustration.

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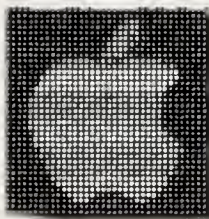
War, Watergate, Whitewater, and Wall Street:  
Politics as Usual.

By Meg Ventrudo



# Some of the “little start-ups” you’ll find on The Nasdaq Stock Market.

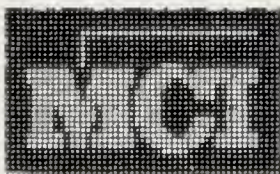
Looking back today, it’s hard to imagine



that just over 17 years ago  
Apple Computer began as  
an idea in a garage in  
Santa Clara Valley,

California.

Or that a little company  
that offered truckers a better  
two-way radio system would challenge the  
biggest company on earth and grow into the



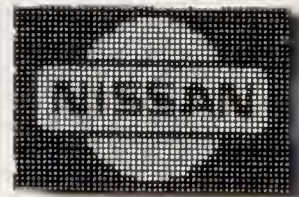
\$12 billion telecom-  
munications power-  
house, MCI.

Or that in 1970, a new computerized stock  
market would emerge and change the way stocks  
have been traded for the last 200 years.

Today, just 25 years later, Nasdaq is  
trading stock in more companies than



any other  
market on  
earth.



In that time  
we’ve watched  
many little

start-up companies like Intel,  
Microsoft and MCI grow into

major corporations.

And although  
Nasdaq lists companies  
with market values



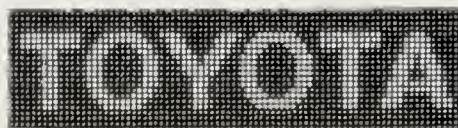
larger than \$20 billion and as small as

\$10 million, they all share one  
thing in common. A visionary  
approach to doing business. And

a willingness to challenge the status quo.



Where will the MCIs, Microsofts and Intels  
of tomorrow be found? The same place you’ll  
find the MCIs, Microsofts and Intels of today.

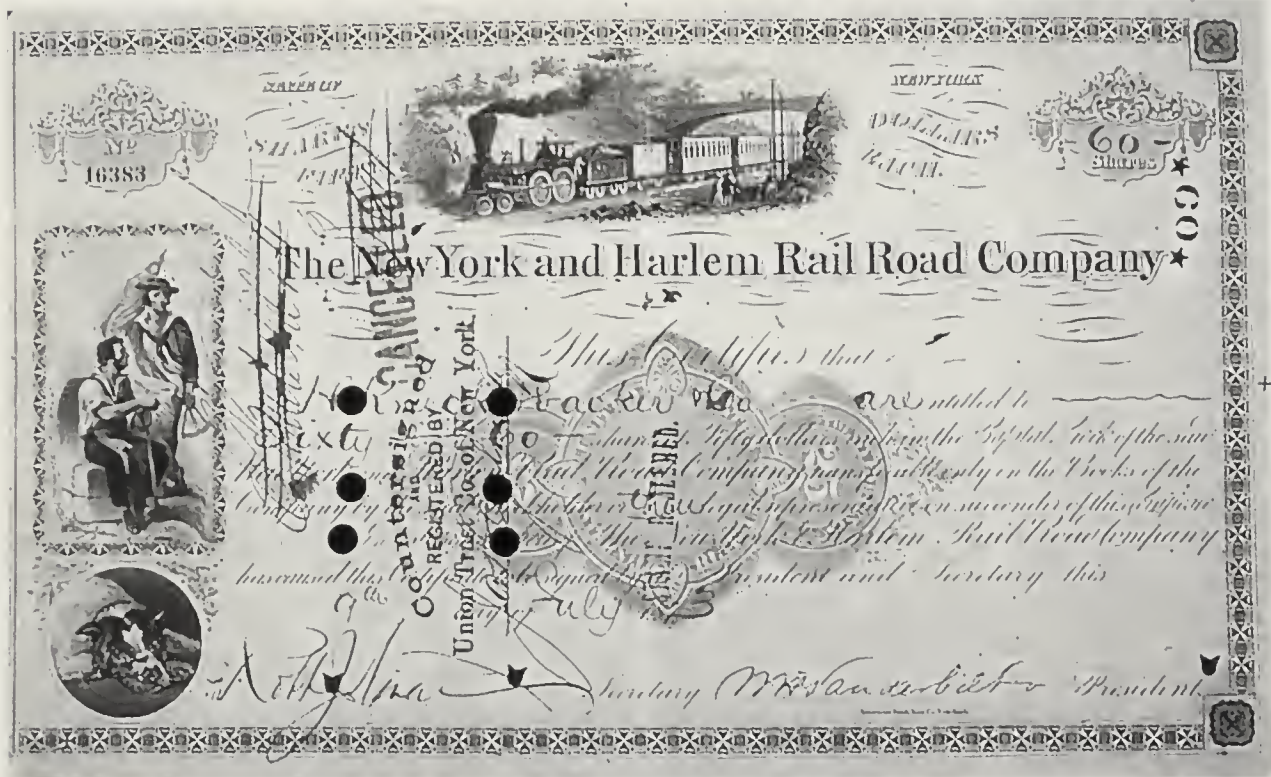


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# Glorious Bygone Days on Trains

BY JOHN E. HERZOG



As I watch the waves roll into the Connecticut shore, their timeless quality is clear, and their witness to history is silent, but meaningful. We are always concerned about history and how it relates to the objects we discover. This fall the Museum is featuring a slightly different view of something many of us take for granted, the railroads. The 150th Anniversary of the founding of the Pennsylvania Railroad in 1846 is in progress and the Museum has opened its show "Connecting the Nation - A Century of American Railroads."

With holiday travel stories, airport congestion, and missed flights fresh in everyone's thoughts, it's hard to think of a nation of train travelers. When looking back over a century of train travel, from before the Civil War to after World War I, there is a lot to explore. The railroads were a tremendous help to the North during the Civil War, not only for transportation but for the heavy industrial base required by

their presence. Afterwards, railroads transported large amounts of freight around the nation for industries such as farming, mining, and lumbering, as well as passengers from distant places across America.

The financial history of railroad development is long and varied. George M. Pullman built an empire around luxury travel as passengers willingly paid extra for grand accommodations in the Pullman Palace cars. By 1874, the Pennsylvania Railroad became the nation's busiest and most powerful railroad, connecting New York, Chicago, and St. Louis. In 1888, the Interstate Commerce Commission (ICC) was empowered by an act of Congress to regulate interstate railroad rates. Railroads were where the homeless of the day congregated, but then they were called hoboes. And Grand Central Station became the busiest terminal in the world, as Trivial Pursuit players will remember. Relive all the incredible technological developments,

examine some beautifully engraved railroad securities, and discover the romance of trains in the Museum Gallery.

We are looking forward to the 10th Anniversary of the Strasburg Stock and Bond Event and we have taken a look at the history of collecting stock and bond certificates with an article on Scripophily. I have been collecting certificates for thirty seven years and remember very clearly the lightheaded feeling I had sitting in the first Stanley Gibbons auction, as the hammer came down at high prices on lot after lot. Let's see how your recollections compare with ours, and whether those prices were cheap or dear in retrospect.

Fall also brings us to election time and *Friends* explores the election of 1896, when Democrats and Republicans faced off on the "free silver" issue. We all hope you will enjoy this issue, and as always, look forward to hearing from you with your good ideas. **FH**



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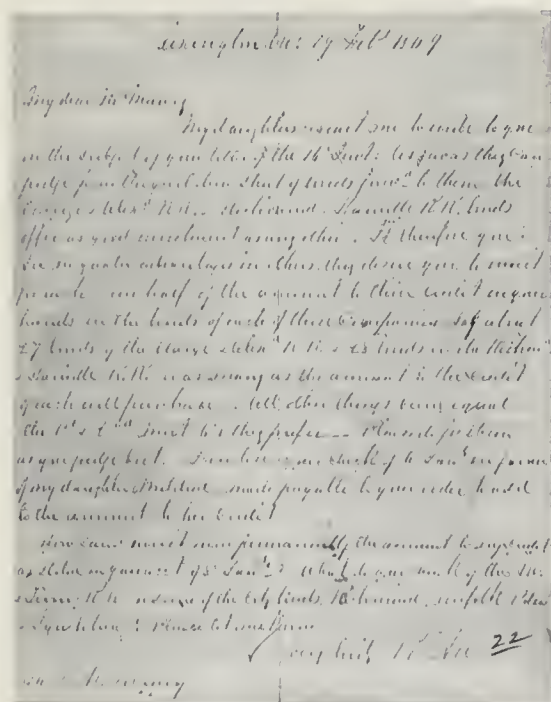
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*R. E. Lee*

The Museum is located at 24 Broadway, New York City. Hours: 11:30AM until 2:30PM, Monday through Friday. Admission is free. Special hours can be arranged for group tours. For further information call 212-908-4519.

In this letter, Robert E. Lee writes to his stockbroker about investing money for his daughters. Lee mentions the railroad bond issues they prefer, then continues, "All other things being equal, the 1st and 2nd mortgages they prefer. Please do for them as you judge best." The letter is interesting to us now as it is an early discretionary account authorization, the first of its kind to come to our attention. In the Museum's collection is another railroad bond signed by Lee on the reverse, one of three known!

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## "An Organized Walk Down Wall Street" Includes the Museum



"Good things come in small packages," said University of Denver graduate student Peter Bonacci of the Museum Gallery. There was room enough for Professor Maclyn Clouse's twenty-eight students on August 22. A professor of finance and director of the Small Business Institute at University of Denver, Dr. Clouse heads a class titled, "An Organized Walk Down Wall Street." The class is a two week long program that includes the major industry institutions, like the New York Stock Exchange and The Depository Trust Company. Dr. Clouse learned of the Museum by receiving a complimentary copy of the spring edition of *Friends*, as part of our mailing to members of the Financial Management Association. He

told us that he will definitely include the Museum in his upcoming class programs and looks forward to the next exhibit on financing the railroads.

Collections Manager Meg Ventrudo and Communications Manager Sarah Massey pointed out the gems of the exhibit, while fielding questions from the group. Many of the students were interested in how and when the Museum was founded and how the staff develops programming. Student Steven Psaledakis stumped the experts by asking, "When did \$1,000 become the standard denomination for bonds?" Any answers?



*Left: Maclyn Clouse and two of his students study the recent technological advances of the American Bank Note Company. Center: University of Denver students discussing the famous duel between Alexander Hamilton and Aaron Burr. Right: Collections Manager Meg Ventrudo explains the engraving process to an eager listener.*

## Spring Cleaning Sale Extended!

The Museum is cleaning house, and the Moody's Manuals you have been searching for are waiting for your call. There are still many Kidder Peabody (IPO) Deal Books with Specimen certificates available. Also on sale are certificate carrying cases. Please call Meg Ventrudo for more information at (212) 908-4609 or fax at (212) 908-4601 or e-mail: [maf2@usa.pipeline.com](mailto:maf2@usa.pipeline.com).

## Unique Recordings are a Great Addition to Museum's Oral Archives

Professor Pat Ellebracht of Northeast Missouri State University has been contributing to the Museum for years. This spring, he and his wife Eleanor paid the staff a visit in the New York City Gallery. Pat's contributions include unique, one-of-a-kind recordings of some of the twentieth century's most important financiers. For example, in August the Museum received original reel to reel recordings of interviews with Benjamin Graham, Philip Fisher, and venture capitalist Arthur Rock. The staff would like to thank Professor Ellebracht for his priceless help in preserving our mission to chronicle America's capital markets.



## The Press Loves the Museum

Unless you work on Wall Street, you might not have heard of the Museum of American Financial History. Our network consists mainly of our friends and neighbors, like many other eight year olds. Recently, though, a new era for the Museum has dawned as word of its programs has spread to broader audiences. The Museum's exhibit, "Security for the World, Two Hundred Years of American Bank Note Company" brought the world-renown magazine *The Economist* to the Gallery to learn more about the art of

security engraving. Scripophilists were featured in an eight page article in *Cigar Aficionado* this year, as well. *Equities Magazine 45th Anniversary Edition* featured a story about New York Stock Exchange Chairman Dick Grasso and his 1996 Outstanding Service to the Capital Markets Award from the Museum. The rest of the world is beginning to learn what our *Friends* readers and Museum donors already knew, the Museum of American Financial History is an institution rich with fascinating information.

## And late mention...

The Museum wishes to thank Sponsors Fidelity Investments and The Capital Group Companies, Inc. for their generous contributions at last Spring's fundraiser.

The Museum thanks the New York Mercantile Exchange Charitable Foundation for its grant.

## The Pennsylvania Railroad Company Celebrates its 150th Anniversary with Two Museums

As the members and friends of the Museum of American Financial History toasted the opening of the new exhibit "Connecting the Nation - A Century of American Railroads," our colleagues at the Railroad Museum of Pennsylvania celebrated the 150th anniversary of the charter of the Pennsylvania Railroad. It was certainly no coincidence that the timing of these two celebrations corresponded. The Pennsylvania Railroad was at one time the industry giant, by all standards. An integral part of the Museum of American Financial History's presentation of rail transportation development in the U.S., the Pennsylvania Railroad alone generated 5% of the national income before World War II. The Museum of American Financial History's exhibit traces the humble beginnings of the railroads, from the first miles of track and technological innovations, to the employment of hundreds of thousands of people.

The Railroad Museum of Pennsylvania agrees that the railroad giant warrants its place in history. "An employer, conveyance, neighbor, consumer of capital



In the early twentieth century many railroads throughout the U.S. merged into the Pennsylvania Railroad Company System. Pennsylvania Railroad Company purchased 22,491 shares of the Detroit Union in 1951.

goods, political giant, and corporate presence, the Pennsylvania Railroad Company affected the lives of Pennsylvanians to a greater extent than perhaps any other business enterprise before or since. It is fitting

that we explore and reflect upon the history of the Pennsylvania Railroad on the 150th Anniversary of its Charter." Its three day symposium at Strasburg, Pennsylvania in October was a great success.



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# Who's Who at the Museum of American Financial History

## New Trustee Morton Wagner

BY JOYCE WALLIS

**T**he Museum of American Financial History fills a very important need," said new Trustee Morton J. Wagner. "We live in a democracy based largely on our system of capital formation, and we have never had a museum to reflect upon and educate us about this history until John Herzog came up with the idea." Executive Vice President of Smith Barney in New York City, Mr. Wagner is the Museum's latest addition to the board of trustees. He brings decades of experience in the securities field to the Museum, contributing to the development of its mission.

Like many, Mr. Wagner (Mort) found his professional passion after starting out in a seemingly unrelated field, broadcasting. After completing a degree in speech at the University of Wisconsin, he worked as an owner and an operator of broadcasting properties for twenty years. His career path eventually led to Shearson Hammill & Co. (later to become Smith Barney) in 1966, where he began as a registered representative. With the firm, Mort's talents led him to new positions, such as training director, director of national sales, and director of the creative resources department. Currently, he concentrates on special projects for the retail division of Smith Barney with special emphasis on continuing education for registered representatives, as well as investor education.

Mr. Wagner enthusiastically believes in education. One of his passions is the widely-known Security Industry Association's Stock

Market Game. An intensive, biannual, ten week course, aimed at teaching students the foundation of the market system and equipping them with the principles necessary to understand the industry, the Stock Market Game now includes 650,000 students in all fifty states. High school students participate as investors, transacting and learning. The teams seek to profit, by investing with an assigned sum of money. His understanding and compassion for education is one reason he was attracted to the Museum.

The Museum's mission to document the capital markets is another important reason for the strong feelings Mr. Wagner has for the Museum. "The Museum chronicles the very fiber of what we are all about," he said. "It's a superb idea that is a fast-growing and most significant influence in the financial industry." Mort believes in the Museum's role as an irreplaceable Wall Street institution.

When Museum Chairman John Herzog approached Mr. Wagner about becoming a trustee, he eagerly accepted. Mort devotes considerable time to other educational institutions: he chairs the Securities Industry Association Investor Education Committee, is past chairman of the Securities Industry Institute at the Wharton School, chairs the new nationwide Alliance for Investor Education which he co-founded, and he also has been asked to serve on the Securities and Exchange Commission Consumer Affairs Advisory Committee. Mr. Wagner is a trustee of the Securities Industry Foundation for Economic Education which supervises the Stock Market Game. With this experience, he is a natural choice for our next trustee.

When asked how he views the mission of the Museum, Mort said that a key use is for educational purposes. The Museum supplies backbone for what the financial industry has meant to the United States. By chronicling the U. S. capital

markets, the Museum enhances the industry, he said. "Documenting American financial history is documenting American history," said Mort. "The Museum of American Financial History ties financial history to the present-day industry, which is an important educational tool."

Mr. Wagner has a great vision for the Museum's exhibits and permanent collection. When given the opportunity to imagine new archival materials for the Museum, he was precise in his description. Mort said that he would like to see a permanent exhibit that records the educational contributions of the great men and women in the field of finance. Because many of the Gallery visitors are young people, Mort would like to see a display on how the Stock Market Game was started, how it has developed, and what the training and experience has meant to the many financial novices who have benefited throughout the country. Another suggestion is to have an exhibit that explains to the public how the financial industry prides itself in a history of self-regulation that has kept government intervention to a minimum.

A recent example of the progress of self-regulation and the securities industry is the continuing education mandate. For the first time, in 1995, the securities industry established its own mandatory continuing education program, approved by the Securities Exchange Commission. It is truly rewarding that the industry has grown through all these years with minimum government intervention. This should be documented, said Mort.

Mort's involvement in so many different organizations leaves him little time for hobbies. When he finds spare time, he enjoys reading and traveling with his family. In August, Mr. Wagner was warmly greeted by his new colleagues at a Museum trustee meeting. The entire Museum wishes to extend an enthusiastic "Welcome" to Mort. **EFH**





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# Depreciation Goes to War: The Political Genius of FDR at Work

By BRIAN GRINDER AND DAN COOPER

There has never been a shortage of political expediency. Every American president has compromised on critical issues, and the current administration is no exception. But few Americans fully understand the crucial role that a presidential compromise regarding depreciation played in preparing America to enter the second World War. In the summer prior to the 1940 election, Franklin Roosevelt turned to political expediency by supporting a tax amortization schedule that was very favorable to business but a horror to ardent New Dealers. The Tax Amortization Act (TAA) became law on October 8, 1940, and played a crucial role in gearing the nation's industrial facilities up for war. The United States would not enter the war until December 1941, but Roosevelt understood the importance of support for the Allied cause and believed that the States should be prepared should it become necessary to enter the conflict.

Roosevelt's problems in the summer of 1940 were two-fold; a frosty relationship with the business community and a defense industry that was woefully outdated and undercapitalized. New Deal legislation was seen as government intrusion into the affairs of business. Work reforms such as minimum wages, limits on work hours, bank regulation, and unemployment insurance were all brought about through New Deal legislation. In fact, the National Recovery Act of 1933 (later ruled unconstitutional by the Supreme Court in 1935) had attempted to establish federal control over the nation's industrial structure. From the beginning, the general tone of New Deal legislation was discomforting to the nation's business leaders. Adding to the problem was the fact that the industries

that serviced defense needs had been particularly hard hit during the long Depression.

A brick wall was formed in 1940 against Roosevelt's determination to make the United States "the arsenal of democracy," because businesses were unwilling to com-

mit capital to production for a war in which the United States was not currently involved. If the war was short, corporate America would be stuck with idle facilities; an unpleasant prospect for industries that had recently suffered through a depression that had idled many capital investments. Furthermore, the prospect of high taxes and legislation that would limit the profits from war production provided little incentive for industries to act. New Dealers, including Eleanor Roosevelt, believed that corporate reluctance to expand defense material manufacturing was rooted in lingering resentment over New Deal labor reforms.

"The New Dealer" Roosevelt became "the Pragmatist" Roosevelt at this point. He threw his support behind the TAA legislation that allowed defense related industries to amortize capital investments over a five year period (an annual rate of 20 percent). Prior to this, firms were allowed to amortize only five to 10 percent of original cost per year. At the same time, additional legislation suspended the eight percent ceiling on profit levels in defense industries which had recently been imposed under the provisions of the Vinson-Trammel Act of 1934 and replaced the profit caps with new high tax rates for "excess profits." Secretary of the Treasury Henry Morgenthau relates the following episode which casts a great deal of light on the President's pragmatic attitude towards the tax bill:

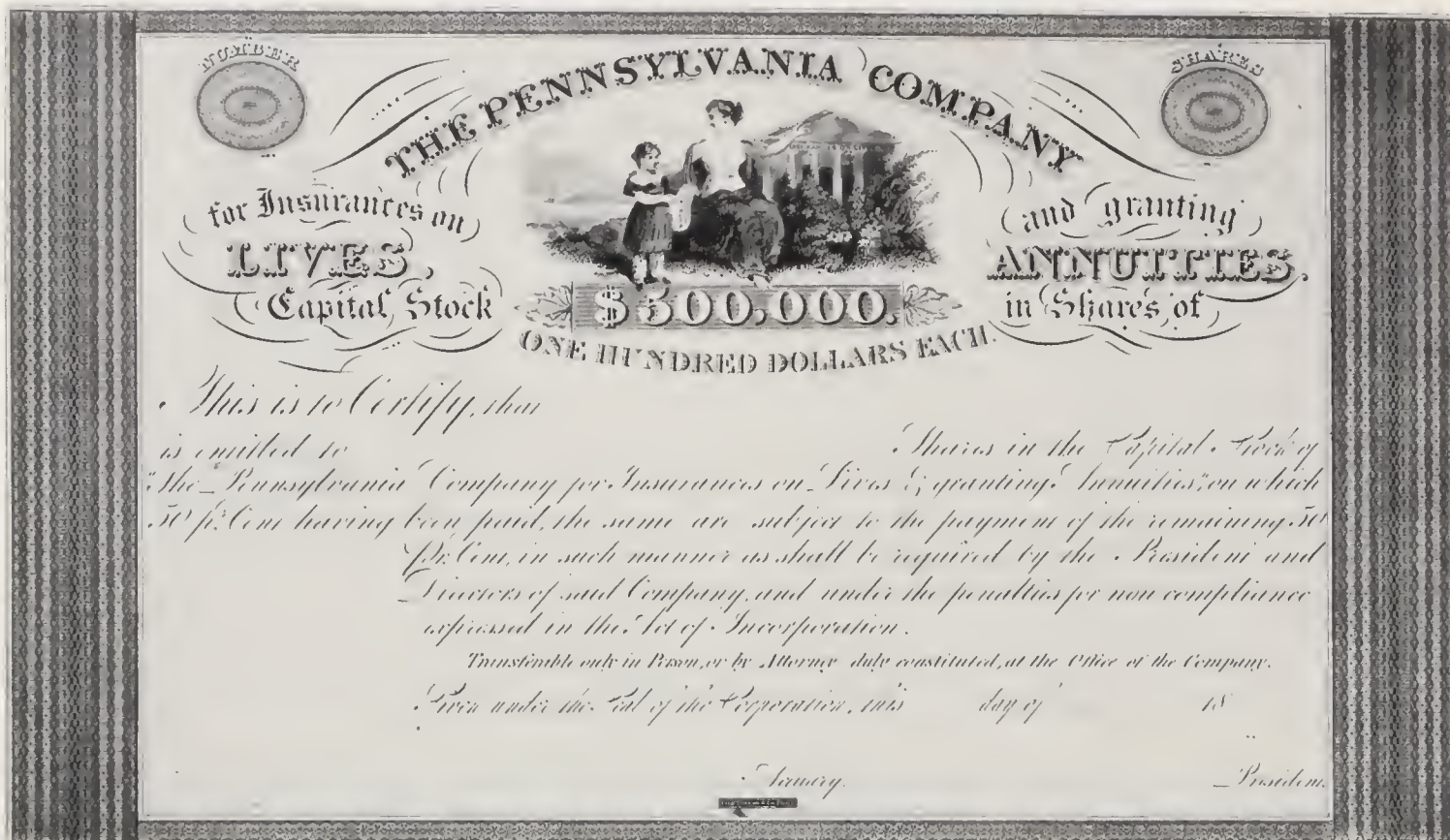
*"I sat on the President's back porch [at Hyde Park]. He was in a rocker and he says, 'I can tell you very simply how I feel. ...I want a tax bill; I want one damned quick; I don't care what is in it; I don't want to know.... The contracts are being held up and I want a tax bill'"*

*"I want a tax bill;  
I want one  
damned quick;  
I don't care  
what is in it;  
I don't want to  
know...."*



*Continued on page 15*





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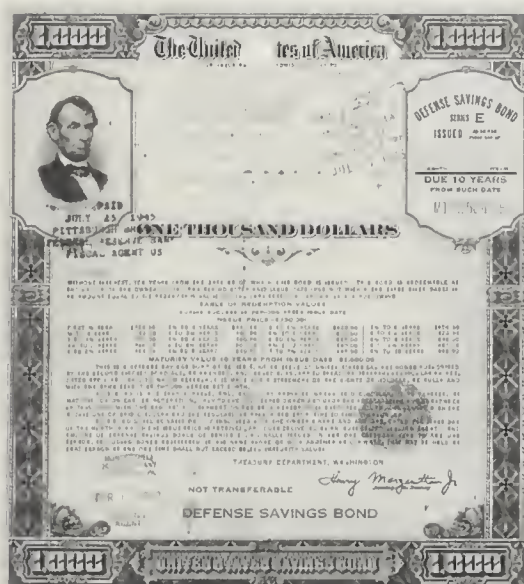
The new high tax rates on excess profits coupled with generous depreciation allowances resulted in a tremendous depreciation tax shield.\* The after-tax cash flows for any given year for a project (such as an aircraft factory) are calculated as:

$$[(\text{Revenues}-\text{Costs}) \times (1-\text{Tax Rate})] + [\text{Depreciation} \times \text{Tax Rate}]$$

The final term, [Depreciation x Tax Rate] is known as the depreciation tax shield. The depreciation tax shield is enlarged by increasing the amount of the depreciation allowed each year or increasing tax rates. Conditions in 1940, after the passage of the new tax amortization law, were such that the tax shield was substantial. Furthermore, since there was great demand for the war materials produced, earnings were high and businesses were able to take full advantage of the tax shield. Industry was now willing to do business with the government and contracts began to clear quickly. New Dealers, however, from Eleanor Roosevelt on down were dismayed. Morgenthau wrote to the President concerning the new law that it “sponsored the very kinds of discrimination that the President and the Treasury had for so many years opposed.” In addition, Interior Secretary Harold Ickes wrote:

*This is abandoning advanced New Deal ground with a vengeance. We are supposed to be engaged in an earnest struggle to do away with the unjust disparities between the very rich and the very poor. The President has announced more than once that no new crop of war millionaires will spring up out of the war preparedness program. ...[However] in effect, the Government is building these plants and equipping them at its own expense, while permitting private individuals and corporations to make excessive profits at practically no risk to themselves. (Ickes, pp. 295–296)*

Roosevelt was undaunted by the criticism. He did what was necessary to prepare the country for war, as well as to set the stage for his election to an unprecedented third term in the fall of 1940. Such action also showed that Roosevelt recognized the importance of private industry to the war effort. He was not willing to engage in a government take-over of private industry in order to accomplish his goal of preparing the nation for war. Rather, he showed an



*\$1,000 defense bond issued by the U.S. Treasury in 1942, with signature of Henry Morgenthau, one of many opponents to Roosevelt's new TAA legislation.*

ability to cooperate with big business in the face of enormous criticism from his political advisors including his wife. Mrs. Roosevelt had written in her widely read newspaper column that government must be prepared to “draft industry as well as to draft men.” Countering Mrs. Roosevelt’s views, Ralph Robey, writing for *Newsweek*, argued that should Mrs. Roosevelt’s ideas for “taking over our accumulated supplies of wealth,” be implemented then:

*...our system of private enterprise will necessarily come to an absolute end. There will be no supply of private savings with which to go ahead — no private wealth out of which to make the investment necessary to create jobs — Everything, from top to bottom, will have to be government.*

President Roosevelt’s support of generous depreciation allowances has direct application to the finance classroom of today. This historical event shows the importance of the depreciation tax shield to students.

Depreciation is often considered a confusing (and uninteresting) topic for many students of accounting and finance. This particular slice of American political and financial history illustrates the importance of this often under-appreciated topic. Without the TAA depreciation legislation, the country would not have been as prepared for its entry into the war. Roosevelt realized that the profit motive was an excel-

lent motivator, and he was able to use it very effectively. The use of generous depreciation allowances is instructive in this age of “accelerated cost recovery systems” because it illustrates to students that changes in depreciation allowances can make a difference in the decision of accepting or rejecting a project. Before the amortization law went into effect, few firms were willing to risk gearing up for war production. After the law went into effect, one might say that negative Net Present Value (NPV) projects became positive NPV projects.

Additionally, this event sheds light on the dynamic interaction between government and private industry. Government, whether it be federal, state, or local has been an important factor in the business world since the earliest days of this country’s existence. Wise business leaders do not ignore the potential impact of government in any business decision they make. Furthermore, as Roosevelt demonstrated, wise political leaders cannot long ignore the needs of the business community. **FFH**

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\* According to Smith (1991). “...federal corporate income taxes consisted of a 24 percent ‘normal’ tax plus an excess profits tax with rates varying from 25-percent for the first \$25,000 to 50-percent for excess profits beyond \$500,000. These rates were increased after Pearl Harbor to the point where excess profits tax took as high as 90-percent of marginal corporate income.” pp. 457–458.



# LET'S TAKE A TRAIN TRIP

## How I Spent my Summer Vacation

BY MEG VENTRUDO

**P**art of my job as collections manager at the Museum is to archive all of our paper documents. Most of our stocks and bonds are categorized according to industry such as banking, mining, oil, and our largest category is railroads, consisting of ten boxes roughly equaling five linear feet of archival shelf space. It seemed a shame that much of our collection of railroad securities remained stored in archival boxes. During the winter months, the Museum staff decided that our next exhibit would chronicle railroad finance.

Deciding on a new exhibit is not an easy task. Many different avenues of thought are pursued. How can we top the American Bank Note Bi-Centennial exhibit? What aspect of the Museum's archive appeals to a broad audience? Railroad

financing was a logical conclusion after reviewing the collection pieces and learning of the 150th Anniversary of the Pennsylvania Railroad Company.

So while many of our *Friends* readers spent their summers traveling through Europe or lounging on the sand, Diane Moore, and I, along with the help of Zimo Durakovic, began researching railroad finance, and compiling artifacts. We even hit the road, by car, to collect some three dimensional pieces for this exhibit. (Ok, we also went to the beach, but only on weekends and holidays.)

First stop was the B & O (Baltimore and Ohio) Railroad Museum. Early in the 19th century, Baltimore merchants, in an effort to compete with their New York counterparts, joined together and char-

tered the Baltimore and Ohio Railroad. Stock put on sale in Baltimore, Hagerstown, and Frederick, Maryland was quickly bought by an enthusiastic public. The B & O Railroad continued to operate independently until 1963, when it was acquired by the Chesapeake and Ohio Railway Company. Within our collection, there are several B & O Railroad securities representing much of this era. To supplement these, we borrowed railroad spikes and tools, as well as equipment trust plates denoting the trustee, owner, and lessor of railroad cars.

Next stop was the Whippany Railway Museum in New Jersey. What better way to spend a Sunday afternoon than wandering through a train yard? My mom came along for the ride, and we met with



**B&O  
RAILROAD**



\$200.00

Museum President Steve Hepler, who loaned us many framed articles including a collage of playing cards from several railroad lines.

Cybertravel?? As you can well imagine, there is a vast field of railroadiana across America, but it is all compacted neatly on the Internet. Diane Moore spent many hours surfing the net, where we have made contacts in Nebraska, Colorado, and California, in search of railroad posters and photographs. Closer to home, some friends of the Museum have generously lent us time tables, badges, buttons, and model engines.

Once the research is done the fun really begins. To arrange certificates, photos, prints and labels, we map out how we want the exhibit to look. This means spreading things out on the floor and really getting our hands and feet dirty. Of course those are the few days we get to wear jeans to work, so that makes it really fun.

Featured here are some action photos of our staff preparing the exhibit. We've been working on the railroad all summer long, and we promise you that you will really want to catch this. Check your schedule because this is one exhibit you won't want to miss. **FFH**

# READING RAILROAD



\$200.00



CONNECTING  
THE NATION—  
A CENTURY  
OF AMERICAN  
RAILROADS

Located at  
24 Broadway  
across from  
Bowling Green Park,  
the Museum Gallery  
is open  
11:30 AM—2:30 PM  
Monday—Friday  
and by appointment



# Celebrating America's Papered Past

*Antique Stock and Bond Collectors and Dealers Gather  
for the 10th Anniversary of The Strasburg Stock & Bond Event*

BY DANIEL THOMPSON

While the rolling hills of the Amish country in Pennsylvania are filled with autumn red and gold, excitement is already building in anticipation of an event that will take place here in January 1997.

Collectors all over the world are preparing for the largest and most prestigious antique stock and bond show in the world—the annual Strasburg Stock and Bond Event and Auction in Strasburg, PA. This event, January 24-26, 1997, is an especially important one since it marks the 10th anniversary of the show and another milestone in the field of scripophily—the collecting of antique stock and bond certificates. This event plays a major role in determining values of stocks and bonds through the auction, as well as active dealer trading.

“It didn’t start out the largest,” collectors and dealers Judith and Claud Murphy from North Carolina recall. “It was small, charming, and relaxing. While it’s no longer small, it’s still relaxing and quite different from any other show in the country.”

The field of scripophily is not the largest field of collecting either, but in the past 20 years it has shown dramatic growth, from about 300 enthusiasts in 1982 to approximately 25,000 in the U.S. today. While this is still a proportionally small number compared to the millions of stamp, banknote, coin, and map collectors around the world, it is the rate of growth in a short amount of time that indicates the potential of the field.

The growth of scripophily and the success of the Strasburg show are related—and not in a small way. The first American auction devoted entirely to stock and bond certificates was held at Fraunces Tavern in New York City by R.M. Smythe & Co. in March of 1980. That



*Scripophilists Alfons Henseler and Uli Drumm in early days.*

auction grossed a little over \$44,000. Eight years later, the first Strasburg Show and Auction grossed almost twice that figure. In a rapidly escalating market, the last Strasburg sale amounted to over \$360,000. This rapid rate of growth in auction sales reflects the prices paid for individual stocks. A New York and Harlem Railroad certificate signed by William H. Vanderbilt purchased for \$5 in 1959 by John Herzog,

one of the first certificate collectors in America, now sells for between \$350 and \$450 at auction.

Remarkable growth in stock prices and value do not, however, mean that the door is closed to new collectors. Quite the reverse, in fact. The relative youth of scripophily means that there is still plenty of room to get in on the ground floor. The sale at Strasburg may be a perfect starting place for new collectors. Maryland dealer Dave Strebe maintains, “There are always gems to be found if you do a little digging in Strasburg. I remember finding an unusual Iowa Zoo certificate. Most of the collectors for this type of material are in Europe. It was great! I bought it immediately.”

Another aspect of the field with particular appeal to American collectors is the wealth of material to be found here. There are historical and cultural precedents for the rich supply. It was in America, particularly after 1800, that the corporation

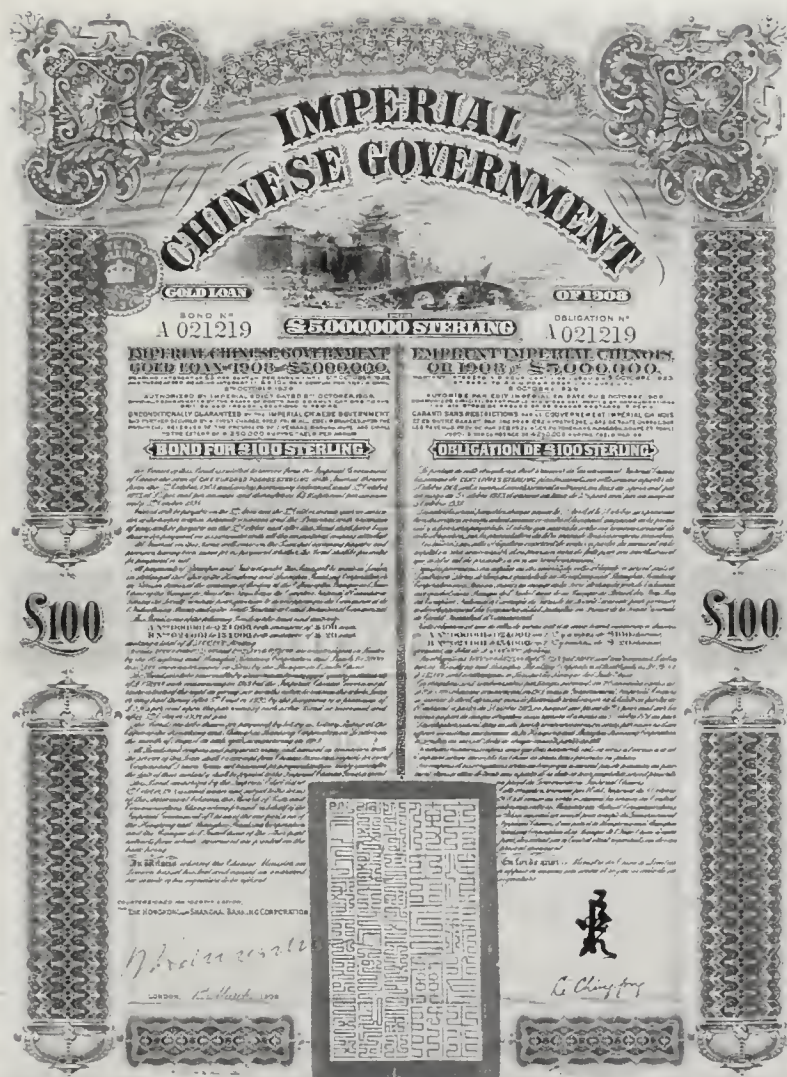


*First Stanley Gibbons Auction. £23,600 was the total hammer price.*





Two examples of certificates popular in the collectors' market.  
above: Chinese Allied Victory U.S. Dollar Loan issued in 1942.  
right: Imperial Chinese Government £5,000,000 issued in London 1909.



as a business organization, with its shared risk of success or failure, achieved its most spectacular growth. Shared ownership became the primary source of revenue for any large scale project on this continent, from the development of roads and canals and early manufacturing, to railroads, automobiles, and airplanes. The very nature of the American capitalist economy provided a fertile environment in which the corporate structure flourished. "Great innovation took place in America because of its open society - and there was no alternative. There was no wealthy nobility and the government had few assets," explains John Herzog, chairman of the New York brokerage firm, Herzog, Heine, Geduld. "The U.S. capital markets are quite different from anything in Europe or the rest of the world," Herzog continues, "They are the jewel of the American experience."

The sheer volume of corporate expansion and capital markets development in this country, especially during the late 19th and early 20th century, produced the greatest amount and variety of stock and bond certificates in the world. These certificates constitute a tangible record of the American experience and tell a tale of adventure, imagination, and wealth.

Another characteristically American quality of scripophily is its youth and egalitarian nature. In terms of collecting, antique stocks and bonds represent a new frontier. It

was the publication of two German catalogs in 1976, illustrating bonds issued in pre-revolutionary China and Russia that sparked the first interest in this field. The earliest auctions were held in Frankfurt, and shortly afterward the first London auction was held by Stanley Gibbons on November 24, 1978, which grossed £23,600 (\$47,200). Two years later, the Bond and Share Society was established in London, with a U.S. chapter.

In the early years of scripophily, interest focused on Chinese and Russian bonds partly because they continued to maintain a quotation on the London Stock Exchange even after default and repudiation. Collectors' prices continued to match those on the Exchange, at first. Gradually, however, interest in the certificates grew beyond their value on the Exchange with appreciation of their aesthetic and historic elements. In fact, the historic and aesthetic value of collectible stocks and bonds are some of the most important elements determining their worth.

American collectors have an unusual opportunity to own a piece of this country's financial history in the form of stock and bond certificates. Beautifully engraved documents chart the growth of an economic empire and the establishment of its key industries. The proliferation of diverse industries in America makes an unusually rich source of materials for collectors. Consider the American railroad industry, creating stock certificates in approximately 9,000 companies over a period of 150 years. Legendary names of industrial barons — John D. Rockefeller, Cornelius Vanderbilt, J.P. Morgan — inscribed on these certificates provide the collector with a link to a world of immense personal power and extravagant wealth.

The visual appeal of these certificates is immediately apparent to the collector and novice alike. Many of these beautifully engraved and illustrated works represent

Continued on page 37



# **GOLD BUGS**

*versus*

# **SILVER FISH**

WITH GOLD AND SILVER

*INSECTS AS PARTY SYMBOLS, OUTRAGEOUS CAMPAIGN DONATIONS,*

*VOTER BUY OFFS, EMOTION-FILLED RHETORIC*

*THE PRESIDENTIAL ELECTION OF 1896 MAKES THE ELECTION OF 1996*

*LOOK LIKE AN EXERCISE IN SELF RESTRAINT!*

*BY ROBERT J. GROSSMAN AND ELIZABETH D. ROSS*

**I**t was the end of July 1896, and would-be president-maker Mark Hanna was looking forward to a well-earned vacation cruise along the New England coast. In June, he had meticulously managed the nomination of his chosen candidate and good friend, William McKinley, through the Republican convention in St. Louis. To most experts McKinley looked like a shoe-in, no matter who the Democrats and Populists would select at their upcoming conventions.

The party had survived the inevitable split over "sound money" and free silver when the issue hit the convention floor.

Twenty-two dissidents, mostly from silver-producing states, had bolted. The argument was over free and unlimited

coinage of silver at a ratio of 16 to one. Although relatively small in number, the delegates did not go quietly. Convinced that the platform's gold plank meant disaster for the country if it were adopted by the convention, their leader, Senator Henry M. Teller of Colorado, warned, "I must, as an honest man, sever my connection with the political organization that makes that one of the main articles of its faith." Later, Frank Cannon, the senator from Utah made the split, finally announcing "the parting of the ways," to a symphony of hisses and catcalls in the charged hall. Hanna was one of the first to shout "Goodbye," "Go! Go! Go!," "Take the Democratic train with the rest," as Cannon, Teller and the other silverites marched from the arena.

The Republicans went on to adopt a gold platform penned personally by McKinley, whose skill at avoiding the issue until the last minute had earned him the sobriquet "Prince of Straddlers." A bimetalist earlier in his career, Ohio Congressman McKinley had voted for the Sherman Silver Purchase Act. But now when pressed, he came down four-square for gold. "The Republican party is unreservedly for 'sound' money," the platform read. Continuing, it expressed unalterable opposition "to the free coinage of silver except by international agreement," something about as likely to happen as pigs flying.

Further brightening Republican prospects were the results of the 1894 off-year elections which gave Republicans

*"Having behind us the producing masses of this nation and the world supported by the commercial interests, the laboring interests, and the toilers everywhere, we will answer their demand for a gold standard by saying to them: You shall not press down upon the brow of labor this crown of thorns, you shall not crucify mankind upon a cross of gold."*

*—William Jennings Bryan  
at the Democratic Convention of 1896*





Alberti/Lowe Collections

*left: Republican nominee William McKinley Right: Democratic nominee William Jennings Bryan*

majorities in both houses of Congress. Beleaguered Democrat Grover Cleveland, still at the nation's helm, had the misfortune to be in charge when the Panic of 1893 hit, identifying the Democrats in the public's mind as the party of gloom, doom, and depression.

With the Democrats in retreat and the Republicans united behind McKinley, 1896 seemed ripe for the Republican juggernaut to sweep the country. Then, in early August, at the Democrat's convention in Chicago, a remarkable young leader emerged from the political infighting, a man with the fervor of a true believer and oratorical skills that struck a unifying chord among millions of Americans. Stunning the delegates with his now famous "Cross of Gold" speech, the tall, lanky, 36-year old Nebraskan, William Jennings Bryan, left the hall mesmerized by his delivery and sizzling with enthusiasm for his free coinage of silver message. His warning to the great manufacturers and financial magnates who he claimed were accumulating vast wealth on the backs of farmers, laborers, and small businessmen was clear and unambiguous. "You come to us and tell us that the great cities are in favor of the gold standard; we reply that the great cities rest upon our broad and fertile prairies. Burn down your cities and leave our farms, and your cities will spring up again as if by magic; but destroy our farms and the grass will grow in the

streets of every city in the country." Continuing his argument for the free and unlimited coinage of silver at a ratio of 16 to one, Bryan reached a resounding oratorical climax. "Having behind us the producing masses of this nation and the world supported by the commercial interests, the laboring interests, and the toilers everywhere, we will answer their demand for a gold standard by saying to them: You shall not press down upon the brow of labor this crown of thorns, you shall not crucify mankind upon a cross of gold."

A few days later, the Populists at their convention in St. Louis, reluctantly threw their support to Bryan and free silver, abandoning on the surface at least the radical social and political agenda that had drawn so many rural Americans to their cause.

### Hanna Scotches Vacation Plans

Now, with the Populists and the Democrats united behind Bryan, Hanna knew the Republicans were in for the fight of their lives. Were Bryan to gain power, although free silver was the appetizer, it was only the first course in what could be the last supper for industrial capitalism. Hanna's vacation would have to wait. He returned to head the campaign without delay, convinced that the future of America and the hard earned fruits of the industrial revolution depended on the outcome of what had suddenly become a closely con-

tested election. He was not alone in his observation of how dramatically the political climate had changed. "Many of the men most familiar with the situation believed that if the election had been held in August, or even in September, the Democratic candidate would have triumphed," confirmed Herbert Croly.

With hindsight, even before Bryan's ascension as savior of the common man, Hanna should have held his optimism in check. He should have been wary of the simmering anger and frustration percolating across the nation. Although the U.S. boasted the fastest growing gross national product in the world since the end of the Civil War, the economy also was among the most volatile. In 1893, the economy had plummeted. Industrial conditions had stagnated and agriculture was at one of its lowest levels in the nation's history.

Cotton brought only 4.5 cents a pound, wheat less than 50 cents a bushel; corn was so cheap that farmers burned it for fuel. Investment declined, leading to fewer jobs and cutbacks in consumption. Some 56 railroads with 30,000 miles of track, an investment of \$2.5 billion, fell into the hands of receivers. Six hundred forty of the nation's banks were closed; gold reserves in the U.S. Treasury dwindled precariously.

Now, in his second term, Grover Cleveland had proven helpless and ineffective in his attempts to halt the economic free-fall. He rejected Populist calls for a graduated income tax, government ownership of railroads, federal work relief programs, as well as the free and unlimited coinage of silver as radical and heretical. His economic policy centered, instead, on judicious public expenditures, reduction of the tariff, and strengthening the dollar by returning to the gold standard.

### Finger Pointing

As farmers, laborers, small businessmen, and the armies of unemployed desperately looked for financial relief, they also searched for someone or something to blame for their misfortune. Big business was the obvious target. Many believed that monopoly, concentration of wealth, and political and economic oppression were the root causes of their

ills. The Grand Master of the Knights of Labor told a large group of unemployed workers in Baltimore that millions of men without work had been turned into felons, beggars, and tramps because a small, rich class had acquired nearly all of the nation's property. The Master of the Wisconsin State Grange declared that there was something "radically wrong in a system under which a few thousand people out of a population of about 70 million have been permitted to absorb more than one half of the entire wealth of the country." The editor of "Home, Field and Forum," published at Guthrie, Oklahoma Territory, observed that "the United States today is completely under the control of the money powers and bondholders."

Nothing raised more doubts about the nation's stability than the Pullman strike of June and July 1894. Violence flared between strikers and U.S. Army troops, sent to Chicago over the objections of Illinois Governor John Peter Altgeld to end the strike against the Pullman Palace Car Company. A writer in "The Forum," in 1895, declared that "the social fabric seemed to be measurably near to dissolution, and the country was not far from the verge of anarchy."

Three Supreme Court decisions in 1895 further widened the chasm between the classes. In the E.C. Knight case, the court ruled that the American Sugar Refining Company was not in violation of the Sherman Antitrust Act, although it was generally agreed that the company had a clear monopoly. The court also struck down the income tax clause that had been included in the Democrat-initiated Wilson Gorman Tariff. The act cut tariff rates and established a graduated income tax to offset the anticipated reduction in Federal revenues. The court's decision was seen by workers and farmers as a victory for the rich and powerful, who by continuing to avoid taxation, would not be required to contribute their fair share to society. In a third opinion, the court sustained an injunction against union leader Eugene V. Debs issued the previous year during the Pullman strike preventing him from engaging in union activities. This holding angered workers most of all.



*William Jennings Bryan campaigning in Tehuac, CO.*

Archive Photos

## The First Modern Campaign

The campaign of 1896 has been called the first modern campaign. The similarities between then and now - the fund raising, the dominance of national campaign committees in developing strategies and controlling funds, the barnstorming, polling, direct mail advertising, management of media, and the introduction of the celluloid campaign button - all contributed to what was a watershed, a turning point in national politics. Women still did not have the right to vote, but most adult male citizens did. By the standards of the late nineteenth century, the U.S. had an electorate unique in its size and range. By contrast, 40 percent of Britain's adult males were denied the ballot.

Both Democrat and Republican campaigns were directed by national campaign chairmen. By most accounts, the winning edge in the election proved to be

Republican Chairman Marcus Alonzo Hanna. His business skills, political acumen and unflagging commitment to McKinley would carry the day against a charismatic opponent who otherwise might have prevailed. Hanna proved to be the father of "the business of politics," and is credited with ushering in the modern era of political campaigning.

Before committing himself full-time to McKinley, Hanna made his fortune as an industrialist in his native Cleveland. He directed the campaign by putting into practice, without exception, the business techniques and strategies that had served him so well in private life. "Politics are one form of business, and must be treated strictly as a business," he is reported to have said. When it came to business, Hanna knew his priorities. "There are two things that are important in politics," he said. "The first is money, and I can't remember what the second one is."



## David v. Goliath - the Contest for Fund

After organizing the national party under his control and setting up offices managed by trusted lieutenants in New York and Chicago, Hanna set out to raise enough funds to assure that the McKinley message of tariff protection, sound money and return to prosperity reached all who could read or listen. Unlike now, there were no campaign finance laws that limited contributions. Conduct that many view cynically today, like hedging one's bets and contributing to both parties, was viewed as a common sense business practice in 1896. There were no limits to what a donor could and would give, if the end result served his interests.

At first, donors, especially in New York, responded coolly to Hanna. But then Great Northern railroad magnate, James Hill, a Democrat and powerful advocate of the gold standard, helped Hanna canvass Wall Street. Since security of business and the credit system were at stake, appeals were made to banks and businessmen regardless of party affiliations. Banks and insurance companies received assessments calculated at the rate of one-quarter of one percent of their capital. For the most part, they paid without complaint.

Soon, the cash began to flood in and eventually grew into an extraordinary jackpot. John D. Rockefeller presented Hanna with a gift of \$250,000, compliments of the Standard Oil Company (the equivalent of \$7.5 million today). Hill gave \$50,000, (\$1.5 million in 1996 dollars). Supporter John McCall, president of the New York Life, explained, "I consented to a payment [of \$50,000] ...not to defeat the Democratic Party, but to defeat the Free Silver heresy, and I thank God I did it."

Charles Dawes, the campaign treasurer based in Chicago reported over \$3.57 million collected and spent. He noted in his diary that at lunch on September 11, 1896, Hanna handed him

*(sidebar continued on opposite page)*

## It's the Economy!

The average citizen found the complex and confusing social, economic, and technological changes disturbing and disorienting. The self-sufficient yeoman farmer, toiling close to the earth and leading the good life (the Jackson and Jeffersonian "ideal"), was proving more myth than reality. Farmer/speculators, gambling on good weather for their cash crops and anticipating real-estate profits from appreciating

the coinage of silver and gold in unlimited amounts as they were brought to the U.S. mints. It fixed the coinage ratio between the two metals at the market prices then prevailing. This ratio was 15.9884 units of silver to one of gold (roughly 16 to 1). Shortly after the law was enacted, the market price of silver rose while gold dropped. As a result, silver was sold commercially rather than to the U.S. Treasury, causing no new silver to be coined.



Archive Photos

*Campaign memorabilia was extremely popular in 1896.  
Above is a Bryan campaign button*

property, instead were discovering the futility of trying to meet mortgage payments in a contracting economy. Thousands who had taken the Horatio Alger morality stories to heart, adhering to his small town values and work ethic, were nevertheless hopelessly in debt or unemployed.

Politicians zeroed in on the pocket-book issues like a bull on a red bandana. Monetary policy became the surrogate for all the underlying social and political issues. Gold became the symbol of the exploitation of eastern business and financial interests over the rest of the country. Silver symbolized easing credit and money for the farmer and the more equitable sharing of prosperity.

## The "Ins" and "Outs" of Silver

Silver's shifting role in U.S. monetary policy began with the Coinage Act of 1837, when Congress established a bimetallic gold and silver standard. The act mandated

Subsequently, in 1873, Congress revisited the nation's currency policy. Noting that silver was not being minted, it passed a new law superseding the Coinage Act of 1837 omitting provision for coinage of silver. Later, when the market price of silver fell, silver producers yearned for the return of bimetallism and the 1837 act's favorable 16:1 ratio.

Mired in the throes of depression brought on by the Panic of 1873, some experts attributed monetary shortages growing out of the new currency act as contributing to the economic malaise. They saw a return to free silver as the answer and supported a policy that inextricably linked economic prosperity to the full use of silver under the terms prescribed in the Coinage Act of 1837. Congress, in 1878, responded by passing the Bland-Allison Act. The act authorized the Secretary of the Treasury to purchase not less than \$2,000,000 and not more than \$4,000,000 of silver each month. The Secretary had the option of coining the

silver or issuing silver certificates based upon it. Later, in 1890, Congress enacted the Sherman Silver Purchase Act which directed the Secretary of the Treasury to buy 4,500,000 ounces of silver bullion every month in exchange for treasury notes that could be redeemed in either gold or silver. Advocates of free silver viewed these statutes as stepping stones on the path to their final goal - free silver at 16:1.

Reeling from the Panic 1893, Grover Cleveland saw silver as the main culprit for the plummeting dollar. He called Congress into emergency session in the summer of 1893 and muscled through repeal of the Sherman Silver Purchase Act of 1890. During the debate in the House of Representatives, then-Congressman Bryan challenged his president to no avail, arguing emotionally against repeal. "On the one side stand the corporate interests of the United States, the moneyed interests, aggregated wealth and capital, imperious, arrogant, compassionless," Bryan exclaimed. "On the other side stand an unnumbered throng, those who gave to the Democratic party a name and for whom it has assumed to speak. Work-worn and dust begrimed, they make their mute appeal, and too often find their cry for help beat in vain against the outer walls, while others, less deserving, gain ready access to legislative halls."

Cleveland also engineered a series of bond issues aimed at building the Treasury's gold reserves which had fallen below \$100 million. The reserves continued to drop even more, dipping as low as \$42 million in 1895. To make matters worse, he was seen as helping wealthy bankers and industrialists get even richer from the profits they earned from the high-yield bonds.

## The Issue is Joined in '96

In the summer of 1896, as the candidates locked horns, the monetary debate dominated the national agenda. The free silver advocates: farmers, workers (debtors) proposed that the U.S. return to the bimetallic gold and silver standard of the Coinage Act of 1837. They subscribed to a "quantity theory" of money: that the amount of money in circulation determined not only the general level of prices, but also the level of activity within the economy. They believed that

prices and economic activity were depressed during the 1890s because the amount of money in circulation was not sufficient to sustain normal price levels and general prosperity. When money was in short supply, it drifted to the financial centers and outlying areas suffered accordingly. "Money in the business world and blood in the body perform the same functions and seem to be governed by similar laws," explained John Peter Altgeld, Governor of Illinois. "When the quantity of either is reduced, the patient becomes weak and what blood or money is left rushes to the heart, or center, while the extremities grow cold."

The defenders of the gold standard were persuaded that any actions by the government to weaken the value of the dollar and place it on a different footing from the currencies of the industrial nations in Europe would be an economic disaster for U.S. business. For them: industrial leaders, bankers (creditors) the solution to ending the depression was a strong dollar and a return to higher protective tariffs. These steps would strengthen American business, provide more jobs for workers and fetch higher prices for farm products.

Gold-backers dismissed the silverites' quantity theory by attributing the decline in prices to improvements in production techniques and reduced costs of transportation and distribution. Writing in the "New York Journal of Commerce," economist Edward A. Atkinson, stated: "I affirm that there is not a single commodity which has been subject to a considerable fall in price since 1873 or 1865, of which that change or decline in price cannot be traced to specific applications of science or invention...without any reference whatever to the change in the ratio of gold to silver or silver to gold."

## Keeping It Simple

There was no dearth of writers and pamphleteers eager to explain the merits of "bimetalism" or "gold" to the interested reader. Thanks to William H. Harvey and his small paperback, "Coin's Financial School," at least prior to the presidential campaign, the silverites had the best of the propaganda battle. Thousands of voters were introduced to a precocious adolescent named Coin and the lectures he ostensibly

*(sidebar continued from previous page)*

an envelope containing \$50,000 in cash, the gift of one railroad industrialist. The New York office spent about \$1.6 million compared with Chicago's \$1.9 million. Eventually, 14 million people would vote in the election that Hanna and company would spend \$3.57 million to win, the equivalent in today's dollars of \$107 million. In contrast, the two main presidential candidates in 1992 spent \$52.2 million each in an election that attracted almost 104 million voters.

Meanwhile, in the Bryan camp, the financial picture was bleak, portending what was to become one of the biggest funding mismatches of all time. The campaign chairman, Senator James K. Jones of Arkansas, set up headquarters in Chicago, a satellite in Washington D.C., and sought to match the Republican's activities. Though most of Bryan's supporters were true believers, they were cash poor. In debt, unemployed, strapped with mortgages, they could offer themselves as volunteers, but were ill-prepared to contribute the money needed to contend with Hanna's well-oiled machine.

Campaign officials found themselves constantly embarrassed for lack of funds. In August, Jones wrote an open letter to the American people pleading for contributions. "No matter in how small sums, no matter by what humble contributions, let the friends of liberty and national honor contribute all they can to the good cause." William Randolph Hearst, publisher of the "New York Journal," the only major Democratic paper in New York, promised to match contributions from the appeal. Some cash trickled in, but not nearly as much as Jones had hoped. Eventually Hearst presented the campaign with a \$40,000 matching check. Owners of silver mines also supported the Democrats, but their contributions were minor in comparison to the dollars flowing from the major industrialists to the Republicans. In the end, the Democrat-Populist effort for Bryan would report expenditures of \$675,000, a mere drop in the bucket compared to the largess bestowed on the Republicans.



gave at the Chicago Art Institute. It included fictitious debates he was supposed to have had with the most distinguished defenders of the gold standard. In all his encounters with bankers and businessmen, the boy wizard forced his opponents to concede the errors of their ways. One of Coin's triumphs, as described by Harvey, came in a debate with Lyman Gage, president of the First National Bank of Chicago. "How can you have, at any fixed ratio, the same commercial value on two separate metals, that are from time to time varying in the quantity of each produced?" Gage asked. Coin replied by drawing on the blackboard two reservoirs filled with water and connected by a pipe. "Now, the water in one of these reservoirs represents silver and the other gold," he explained. "The connecting pipe (the law of free coinage) makes them virtually one metal and either answers the requirement of the government for money. So long as that connecting pipe remains, the water in the two reservoirs will remain even - the same height. Doing away with the connecting pipe and the feed pipes...will soon destroy the equilibrium, as their quantities vary from time to time." To the delight of silverites, and the frustration of gold bugs everywhere, Gage and his friends could detect no errors in Coin's reasoning. Instead of scoffing at him, they were "compelled to give assent to his plain and unanswerable views." The book included illustrations showing how the gold standard, supported by bankers and industrialists, exploited workers and farmers. One cartoon pictured the nation as a cow with a western farmer feeding it and an eastern banker savoring the milk.

## Victory for McKinley and Gold

Fourteen million Americans turned out to vote on election day, two million more than four years earlier; overall, more voters than in any previous presidential election. McKinley carried one more state than Bryan (23 to 22), prevailing in the electoral count by 271 to 176. For the moment, the radicals had been repulsed, the gold standard saved, and international markets kept open.

McKinley received 7,104,779 popular votes to 6,502,925 for Bryan. The geograph-

ic distribution of the vote indicated that McKinley's strength lay in the leading industrial states in the Northeast, the areas of greatest urban and industrial development. Three-fourths of American industry was centered in the manufacturing belt east of the Mississippi River and north of the Ohio River and Mason-Dixon Line, where three-fourths of the manufacturing wage earners lived. It was in this region that McKinley won the election. He also captured the older, more prosperous commercial farming areas between Iowa and Pennsylvania. Bryan's electoral votes came almost exclusively from the Plains and southern states.

## McKinley Stays Home

The Bryan traveling bandwagon picked up steam and his popularity surged immediately following the Democratic Convention. The Republicans grew nervous and Hanna proposed that McKinley hit the road too. Back in 1894, he had proven an effective speaker and able campaigner as he stumped the country traveling 12,000 miles on behalf of fellow Republicans. But now, with the presidency at stake, McKinley refused. "I might just as well put up a trapeze on my front lawn and compete with some professional athlete as go out speaking against Bryan," he said. "I have to think when I speak."

If McKinley wouldn't go to the voters, Hanna would bring them to McKinley. He devised a "front porch" strategy whereby the candidate would stay home in Canton, Ohio and men and women would come to him. Come they did, every day but Sunday, with the railroads helping out financially; as many as 80,000 visited Canton on September 18 alone. When the delegations had their audience with Major McKinley, characteristically, nothing was left to chance. Many of the pilgrimages were the result of a genuine desire of Republicans to gaze first-hand upon their candidate; others were orchestrated by Hanna for the effect they would have on the pilgrims as well as upon public opinion.

Still, even with McKinley's overwhelming financial edge - spending five times more than Bryan - his superior organization, and compelling endorsements from the media and clergy, he won the popular vote by less than 500,000. (Please see shaded area.) Millions of people resisted the importuning of the powerful and influential, choosing instead to vote for Bryan. For the Republicans, it had been a closer vote than they expected. As McKinley reflected on his victory, he knew that without Mark Hanna's skill at raising five times as much as the Democrats, he might not have gone over the

*(continued on page 30)*

## The Democrat's One-man Band

On the Democratic side, Bryan showed little interest in campaign organization, and Jones had difficulty pinning him down to discuss tactics. Still, under Jones, the Democratic National Committee established a speakers bureau in Chicago, and sent out campaign literature from there. They distributed some 125,000 copies of "Coin's Financial School" and directed funds to local clubs that favored Bryan and free silver. But without the lavish financing enjoyed by the McKinley forces, Jones was unable to keep pace with the Republican's extensive campaign activities.

Bryan expected that he alone, carrying the message of free silver to the people, would win the election for his party. He was encouraged by friend Charles M. Rosser of Texas, who told him, "No matter the outcome, you will be greater than any other man since Christ."

By election day, Bryan had traveled 18,000 miles and had delivered some 600 speeches to perhaps five million people in 27 states. No other campaigner in American history had attracted such large crowds; typically 25,000 to 50,000 heard his major addresses. During much of his travels, Bryan made his own arrangements, buying his train tickets, riding on regular coaches, sometimes even carrying his own luggage.



Also popular during the election of 1896 were political cartoons. Above is Uncle Sam sinking in gold quicksand, from "Coin's Financial School."

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The campaign also had its dark side. Republicans were accused of using economic threats and coercion to win votes. Businessmen attached "Bryan Clauses" to their contracts, promising to purchase goods at a given price, "unless Bryan was elected." Workers reportedly were threatened with loss of their jobs, mortgage holders promised to call in their mortgages if Bryan and his easy money policies came to power. Bryan was portrayed as a rabble-rouser, a dangerous radical, surrounded by anarchists and socialists like Eugene Debs, itching to destroy the fiber of the country. The Democrats countered by picturing McKinley as a vapid puppet - dominated by a ruthless, gluttonous Mark Hanna who fattened himself and other men on the flesh and blood of the common people.

#### Opinion Leaders Choose Sides

As election day neared, the Republicans enjoyed overwhelming editorial support from the nation's newspapers and clergy. "The Chicago Tribune" praised Chicago ministers "who have started to impress upon their congregations the infamous project of immorality which Bryan is seeking to impose on the people as a national financial principle." When Eugene Debs announced his support for Bryan, the "Kokomo Daily Tribune" declared that Debs, "who had done time for anarchy, truly belonged among the Bryan backers." The writer advised the "friends of liberty to ...take themselves straight into McKinley's camp." New York preacher Rev. Thomas Dixon, Jr., gave his listeners explicit instructions. "It is a contest between honesty, national honor and patriotism on the one hand, and dishonesty, repudiation and dishonor on the other. McKinley stands for all the patriotism and honor there is in this campaign, and Bryan for anarchy, repudiation and dishonor."





A FORUM FOR THE COLLECTOR OF VINTAGE FINANCIAL MEMORABILIA

## Films, Amusement Parks, Cartoons, and, now, Stock Certificates

BY FRED FULD III

**T**he most popular name in the entertainment industry is Disney, and that name is also quite popular in the collectors' market. Disney is known in almost every country of the world, primarily due to the enormous creative efforts of Walt Disney. Walt Disney had a vision of family entertainment far beyond what anyone could have imagined, before his time and after. Disney stock and bond certificates have also been popular collectible items in the scripophily market, because of both the visual appearance with their colorful vignettes of Disney characters, and as a reminder of what Disney represents.

In 1923, Walt Disney started a film studio with his brother Roy, in Hollywood, California. They produced the first Mickey Mouse Cartoon called "Plane Crazy" in 1928. "Steamboat Willie," the third Mickey cartoon, included a soundtrack. Walt Disney created a series of short movies called "Alice's Comedies" which mixed live actors and cartoons, along with accompanying sound, originally created by Walt's voice.

Walt and Roy produced their first animated feature cartoon "Snow White" in 1937. A year later, they incorporated their company, Walt Disney Productions. They went public with preferred stock in 1942, and converted their preferred to common a

few years later. During World War II, the government used Disney characters on their war bonds to increase investment. The Disney U.S. Government war certificates were generally given out by banks and war finance committees. These are available in the collectors' market in both issued and unissued form. There were also two different types of war bonds, one in multi-color and one in black and white, where dots and line patterns were used in place of colors.

The Disneyland amusement park in Anaheim, California opened in 1955, and the Mickey Mouse Club television show was produced during the late 1950s. The certificate that the company used during the 1950s and 1960s was printed by Jeffries Banknote Company and featured a vignette of a woman with a dove on her hand with the Matterhorn Mountain on the left and the ocean on the right. It features the printed signature of Roy as president. As a collectible, this certificate is extremely rare and is only known in specimen form.

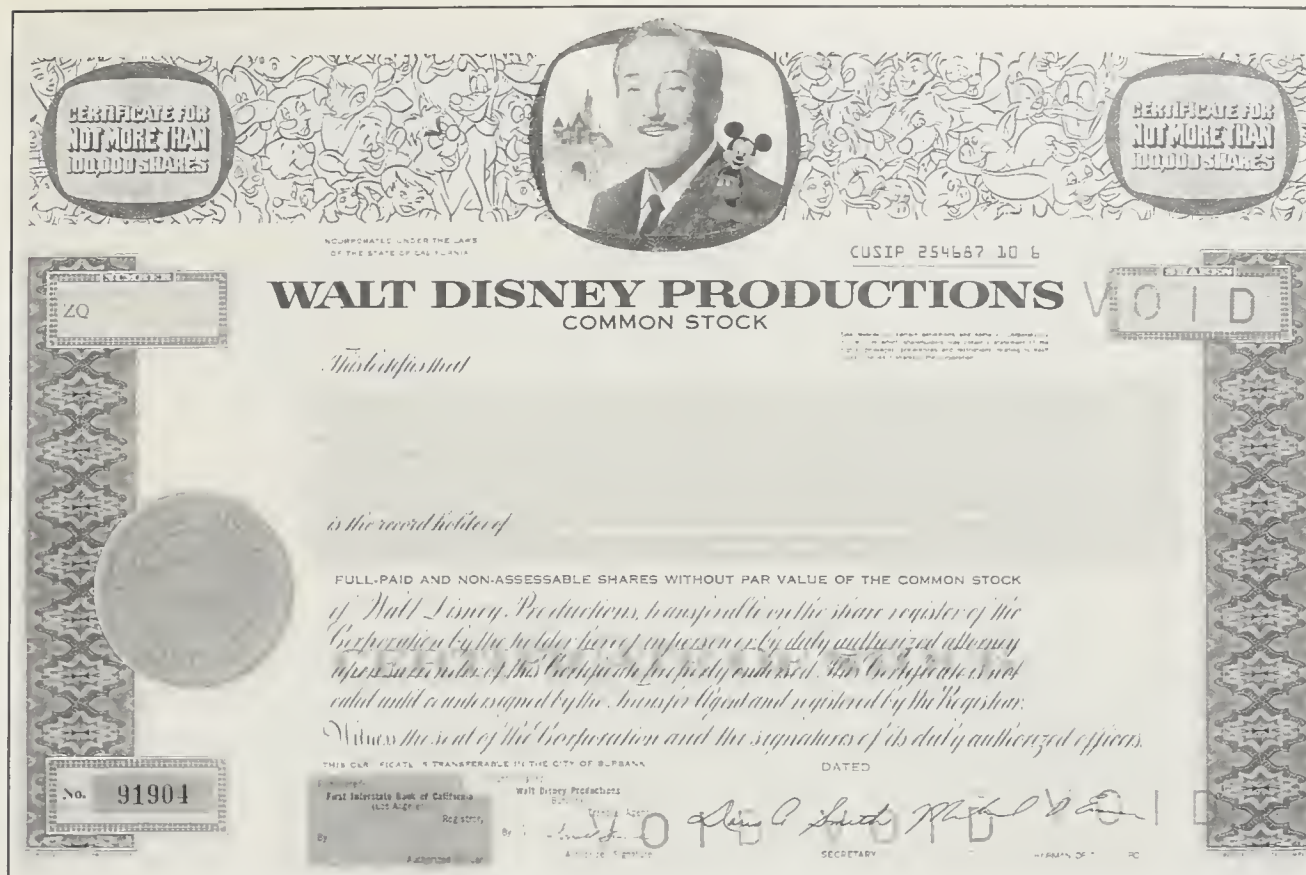
The year 1966 was important for the Disney Company: Walt died of lung cancer, Roy became chairman, and a year later the company issued a new certificate with a vignette of Mickey Mouse sitting on Walt Disney's shoulder with Disneyland in the background, and numerous Disney charac-

ters printed in one color along the top. These certificates have various printed signatures of the company presidents, including Cardon Walker and Michael Eisner. In the collectors' market, this certificate has appeared as issued, canceled (scarce), specimen, and void. Roy passed away in 1971, the same year that their second amusement park, Disney World, opened.

In 1984, Michael Eisner was hired as CEO after controlling interest was established by Roy E. Disney (son of Roy) and the Bass brothers of Texas. In February of 1986, the company changed its name to the Walt Disney Company, and changed its certificate dramatically to one which features color. The popular Disney characters surround Walt as the primary vignette with EPCOT Center underprinted. This certificate appears in the collectors' market as issued, uncanceled, and specimen.

Both the classic and the modern Disney certificates are great reminders of the financial and entertainment empire that Walt Disney built, starting out with simply a dream. They make great, frameable gifts for children of all ages. **FFH**

*Fred Fuld is the founder and president of Investment Research Institute, which was established in 1981 to market antique stock and bond certificates.*



A 1966 certificate with a vignette of Mickey Mouse sitting on Walt Disney's shoulder with Disneyland in the background, and numerous Disney characters printed in one color along the top.



During World War II, the government used Disney characters on war bonds to increase interest in investment. The Disney U.S. Government war certificates were generally given out by banks and war finance committees, issued 1942.



top. Hanna was characteristically modest. "I have run the campaign as nearly as possible on business principles," he explained. "And, of course, I shall be glad if my efforts meet with the approbation of my party." The campaign has been called the most important presidential contest between the Civil War and World War I. It revolutionized the way campaigns are run, and serves even today as a primer on campaign management and strategy. McKinley's victory helped to destroy free silver as a powerful political issue. At the same time, however, the widespread discussion of monetary questions brought a growing demand for basic reforms in the country's

## Republican Teamwork and Strategies

McKinley and Hanna were in constant communication during the campaign, connected by a private phone line from McKinley's bedroom in Canton to Hanna at Chicago headquarters or at his Cleveland home. Contrary to claims of his political opponents, McKinley called the shots, not Hanna. But it was Hanna's management that made things happen.

Hanna was the first to see the value of political polling as a campaign intelligence tool. Together, McKinley and Hanna carefully analyzed poll results for each state, then directed most of their ample resources to the states they viewed as necessary to win the election. Usually, funds were filtered through local Republican organizations where they would do the most good. For this reason, local party leaders in states that did not look promising for McKinley, like the South or Rocky Mountain states, received minimal funding.

Hanna conducted the most extensive education campaign in history until that time. The goal was to familiarize the public with the issues, and, specifically, the dangers of free silver. Voters' mailboxes were flooded with pamphlets and brochures. More than 100 million documents were shipped from the Chicago office alone, another 20 million from New York during the course of the campaign. The cost just

monetary and banking policies. No doubt, a hundred years later, the gold bugs and silverites would be surprised how their battle over currency finally was resolved. Today, of course, U.S. currency is not backed either by gold or silver, but by the powerful but amorphous "full faith and credit of the U.S." ■■■

*Robert J. Grossman is a lawyer and professor of Management Studies at Marist College in Poughkeepsie, NY. He reports for the H.R. News and the Hudson Valley Business Journal.*

*Elizabeth D. Ross, Ph.D. is an American historian and university registrar at the New School for Social Research, New York, NY.*

for printing was about \$472,000. A 40-page pamphlet, dealing with the silver question in a conversational way, a counterpart to the Democrat's "Coin's Financial School," proved to be one of the most popular.

Overall, by the end of the campaign, at least 200 million leaflets and pamphlets were sent out. There were more than 275 different items among them; some had been translated into German, French, Spanish, Italian, Swedish, Norwegian, Finnish, Dutch and Hebrew. "The Review of Reviews" observed that the number of documents sent out in 1896 exceeded by more than 50 percent all the documents sent by the Republican party since its inception.

Hanna also made sure that newspapers had plenty of favorable grist for their readers. Editors were bombarded with prepared copy and ready-made plates with different messages targeted specifically to the type of paper and its readership. Cartoons, posters, inscriptions, and buttons were manufactured by the carload - the most popular poster being a five-colored, single-sheet lithograph bearing a portrait of McKinley with the inscription, "The Advance Agent of Prosperity."

Republicans manufactured "funny money" to illustrate their contention that silver would create cheaper dollars. One campaign coin was inscribed on one side, FREE COINAGE, 16 to 1; the reverse carried the notation, FROM SILVER MINES OF BUNCO STATE. Another coin bore a caricature bust of Bryan with the inscription, IN

*Editor's note: A number of institutions and individuals helped in creating the preceding article. The story idea began in an editorial board meeting, and authors Bob Grossman and Elizabeth Ross brought our ideas together wonderfully. Trustee Morton Wagner deserves a very special thank you for his marvelous editing work. Others that contributed: John E. Herzog, the American Numismatic Society, the Museum of American History, and R.M. Smythe.*

GOD WE TRUST... FOR THE OTHER 47 CENTS. The campaign also turned out a swarm of shiny "gold bugs." Several were mechanical and had wings that unfolded, revealing pictures of the candidates; other gold bugs rode bicycles or held "solid money" coins.

The Speakers Bureau at Chicago headquarters scheduled engagements for 1,400 speakers recruited as traveling surrogates for McKinley. One aspiring politician who responded to Hanna's call was Theodore Roosevelt. "If Bryan wins," Roosevelt wrote, "we have before us some years of social misery, not markedly different from that of any South American republic...Bryan closely resembles Thomas Jefferson, whose accession to the Presidency was a terrible blow to this nation." Not too many years later, Roosevelt was destined to reverse course as the nation's first "trust buster."

The combination of polling, direct mail, and traveling speakers proved powerful indeed. In the doubtful states, campaign speakers and canvassers penetrated into closely contested election districts and held small local meetings. Simultaneously, the areas were enveloped in campaign literature. In early September, for instance, a poll of Iowa indicated a probable majority for Bryan in the state. During the next six weeks, McKinley speakers and campaign documents poured into every town and village. In October, the results of another poll convinced Hanna that the state was safe for McKinley.

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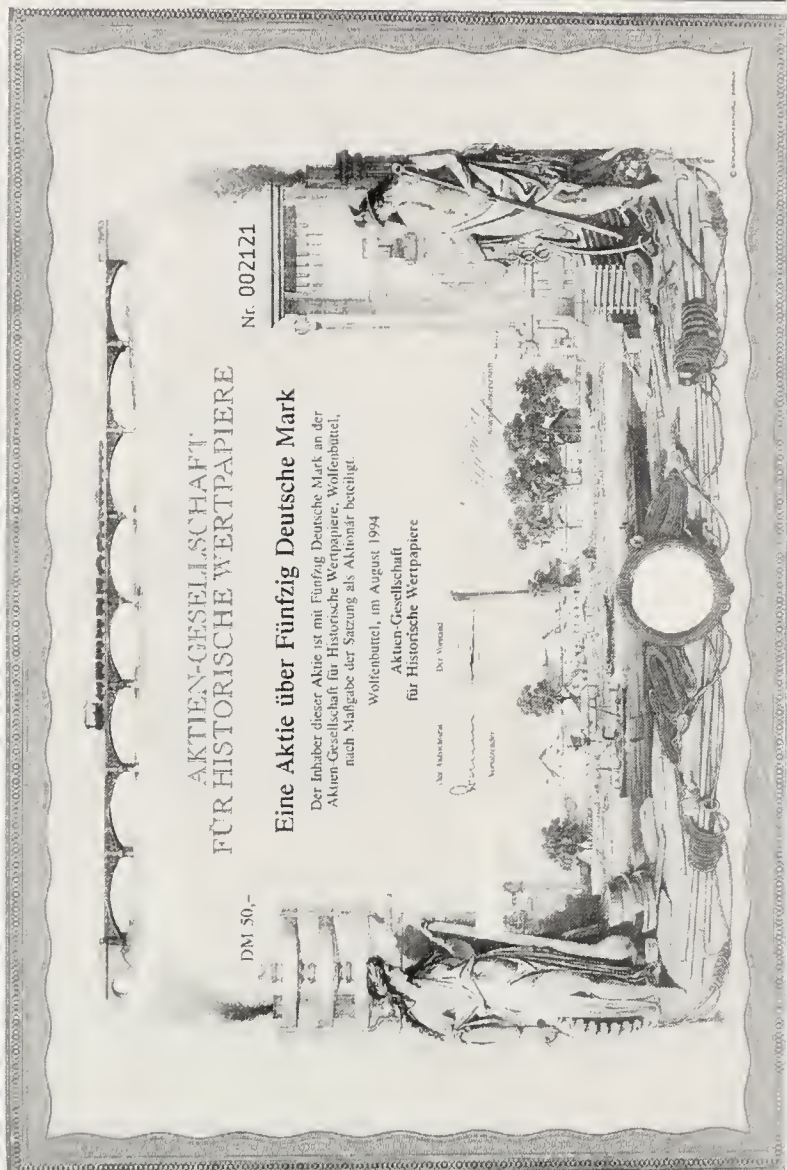
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## LETTER TO EDITOR

Dear Editor:

I am doing family history research and would like to get in touch with any readers who might know about the history of the vanilla bean importing business. My great-grand-uncle owned a vanilla bean farm in Papantla, Mexico, and imported vanilla beans, beechnuts, and the like. Tremari and Son had their offices on 54 Stone Street in Manhattan, and were apparently listed in R. G. Dunn. The farm and the company operated from at least the 1890's until World War I, when revolutionary forces seized the farm.

Are there any readers versed in the history of this area of business? I would very much like to track down any papers or certificates connected with the company.

Sincerely,  
John Griffin  
New York, NY

Readers:  
Please send the above requested information to

Sarah E. Massey, Editor  
Museum of American Financial History,  
26 Broadway  
New York, NY 10004-1763,  
e-mail: mafh3@usa.pipeline.com.

## Spring Cleaning Sale Extended!

The Museum is cleaning house, and the Moody's Manuals you have been searching for are waiting for your call. There are still many Kidder Peabody (IPO) Deal Books with Specimen certificates available. Also on sale are certificate carrying cases.

Please call Meg Ventrudo for more information at (212) 908-4609 or fax at (212) 908-4601 or e-mail: mafh2@usa.pipeline.com.

# WINTER 1996-1997 EVENTS CALENDAR

## NOVEMBER

**Connecting the Nation - A Century of American Railroads** Now Through Spring 1997, Museum of American Financial History's New Exhibit, 24 Broadway, New York, NY. (212) 908-4519

**Scale Model of Abraham Lincoln's Funeral Train Exhibit**, sponsored by the Historical Society of Dauphin County, Harrisburg, PA. (717) 233-3462

**Working the Rails Lunch Time Tours**, New York Transit Museum, Every Wednesday is a different tour that highlights the work and workers of New York City Transit. fee: \$9 New York, NY (718) 243-8601

**5** International Bond and Share Society (IBSS) Auction and Meeting, 118 Eaton Square London SW1, at 6:00pm, (44-170-787-5659)

**9** WHACO! (Washington Historical Autograph and Certificate Organization) Show, Auction, and Fundraiser, Westpark Hotel, Tyson Corner, VA. Admission \$3. e-mail: gteas@erols.com or WWWeb site: <http://home.erols.com/whaco1>

**13** Autograph Auction - Algonquin Hotel, New York, NY. R. M. Smythe (800) 622-1880

**16/17** 43rd Auction and Collector's Meeting, Munich. Freunde Historischer Wertpapiere, (49-531-28184-0)

## DECEMBER

**Scale Model of Abraham Lincoln's Funeral Train Exhibit**, sponsored by the Historical Society of Dauphin County, Harrisburg, PA (717) 233-3462

**Working the Rails Lunch Time Tours**, New York Transit Museum, Every Wednesday is a different tour that highlights the work and workers of New York City Transit. fee: \$9 New York, NY (718) 243-8601

**3** IBSS Christmas party and auction. A London venue, please phone Bruce Castlo for more information at (44-170-787-5659)

**8** New York Transit Museum - Nostalgia Train, All aboard the historic 1928 D-type Triplex for a four-hour journey on some of the subway system's finest tracks. Stop for a stroll in the Boardwalk at Rockway Park (depending on track availability), and return to the museum. \$20 fee. Brooklyn, NY (718) 243-8601

## JANUARY

**24/25** 10th Anniversary Strasburg Stock and Bond Auction, Strasburg, PA. R. M. Smythe (800) 622-1880

Coming in 1997 - 3/1/97 Public Auction Dusseldorf with bazaar, Raab Verlag, 01149-6051-820813

10/25/97 Public Auction Gelnhausen with papershow, Raab Verlag, 01149-6051-820813

Special thanks to IBSS for calendar materials.

If you know of an auction or event of interest to historians and others interested in finance, please write to *Friends of Financial History*, Sarah E. Massey, 26 Broadway, New York, NY 10004-1763, or E-mail: mafh3@usa.pipeline.com.



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The capital stock certificate shown here features a pair of detailed railroad vignettes and a portrait of John Insley Blair (who also signs as president). Blair rose from humble beginnings to become the individual owner of more miles of railroad than any other man in the world, at one time serving as president of sixteen railroads simultaneously. He was actively engaged in Western railroads well into his nineties, and at his death in 1899 left an estate of around \$70,000,000. Lightly pen-cancelled and in VF+ condition, a decorative and historic certificate. A copy of John Hoyt Williams' book, *A Great and Shining Road* is included.

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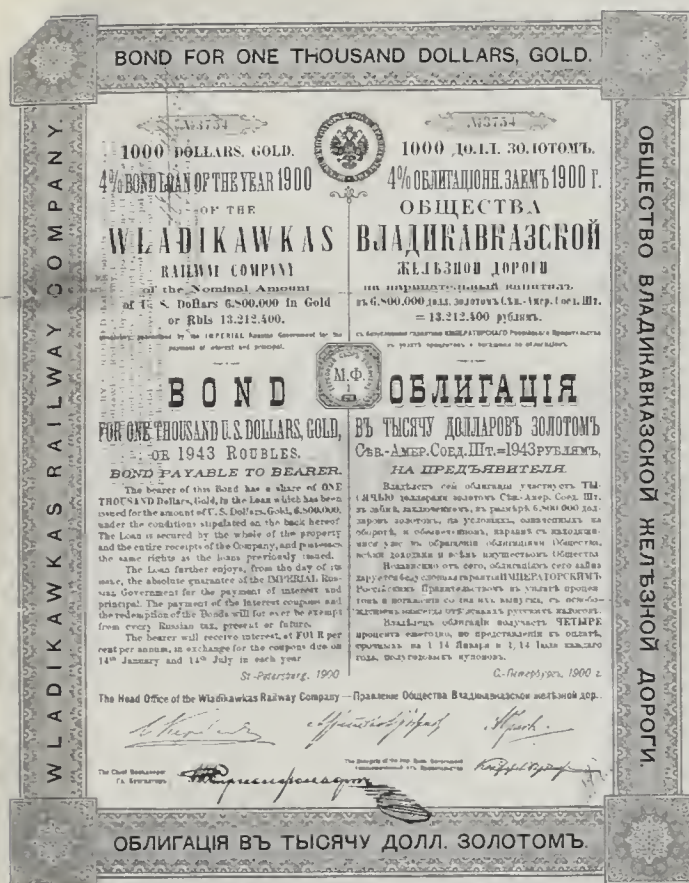
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above: Robert Henry, head of Stanley Gibbons in early days of scripophily.

left: \$1,000 gold bond of the Wladikawkas Railway Company of Russia, issued in St. Petersburg 1900. Russian certificates were very popular with stock and bond bobbyists.

4. Rarity is the fourth determinant of a certificate's value. Rarity creates a high demand because the piece is highly desirable and there are very few available.

An important indication of current values for stocks and bonds will be determined at the Strasburg Stock and Bond Show and Auction in late January, 1997. Ultimately, collectors determine the value of these certificates at events like this and other auctions here and in Europe. Expect to find the finest examples of the art of scripophily and the high-voltage atmosphere of a world-class show and auction here.

The leaves have just begun to fall in Lancaster County, but collectors are already eagerly anticipating this event. "The ground will have to swallow me up before I will miss coming to Strasburg," says Florida dealer David Beach. "It has more quality U.S. material than all other stock and bond shows combined."

It is the dynamic nature of this highly personal field of collecting that generates this enthusiasm and its wide appeal. **FFH**

\* For more on the American Banknote Company, please see "American Banknote Company Celebrates 200 years of American Financial History," *Friends of Financial History*, issue 55, Spring 1996.

Author, Daniel Thompson, is a writer based in New York City.

the ultimate achievement of the art of engraving. They were executed by the highly skilled artists at the American Banknote Company which produced bank notes and postage stamps — for the same reason — to discourage attempts at forgery.\* Fine quality papers, ornate designs, and superb engraving characterize these documents and make them intrinsically valuable as works of art. Intricate border patterns and strikingly dramatic illustrations of racing locomotives, radiant goddesses, and scenes of industry, multi-colored by means of separate engravers' plates or lithography, all contribute to a certificate's beauty and value.

Perhaps the most important development in determining the collectibility of defaulted and obsolete stocks and bonds is electronic technology. With electronic financial transfers becoming the standard, stock certificates are no longer being used in the quantities that were common years ago. Your stock holdings are now simply electronic records with your brokerage firm, much like your checking account balance. These pieces of paper may be the last of their kind and for that reason should con-

tinue to grow more valuable with time.

As important for the new collector as to the established scripophilist, here are some criteria for determining the value of a stock or bond certificate. This is the AAA-R formula:

1. Autograph. The signature of the issuing officer, whether it is Walt Disney or J.P. Morgan, can enhance the value of the certificate enormously, depending upon how famous — or infamous — that person may be.
2. Age is an important factor. Certificates dating from the early days of an industry generally command a higher value. One example is the early Standard Oil certificate from the 1880s and signed by John D. Rockefeller and Henry Flagler, the founders, currently trading at between \$10,000 to \$12,000. As with all collectibles, the condition of the object is extremely important.
3. Association value is a factor. Does the piece have historic significance? For instance, the all-time record price of \$36,300 was set at a Smythe auction for the only known stock certificate of the Bank of North America, dated 1783.



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# Scripophiliasts Surf the Internet

BY SARAH E. MASSEY

Dealers, collectors, and auctioneers of antique securities are utilizing the new medium of the internet to reach scripophiliasts. Once considered a threat to catalogs, magazines, and newspapers, the internet has proven to be a unique tool for communication. Collectors and dealers of antique stocks and bonds are now creating their own presence on the world wide web.

World wide web sites, viewed through an internet provider like America Online or Netscape, bring together the consumer and vendor, without a showroom. Virtual showrooms and catalogs of stocks and bonds are featured on many sites. Without the cost of printing in color, online catalogs offer decent reproductions of certificates along with prices and information about the issuer. The latest software for the internet creates three

dimensional images and animated images that are used to attract viewers.

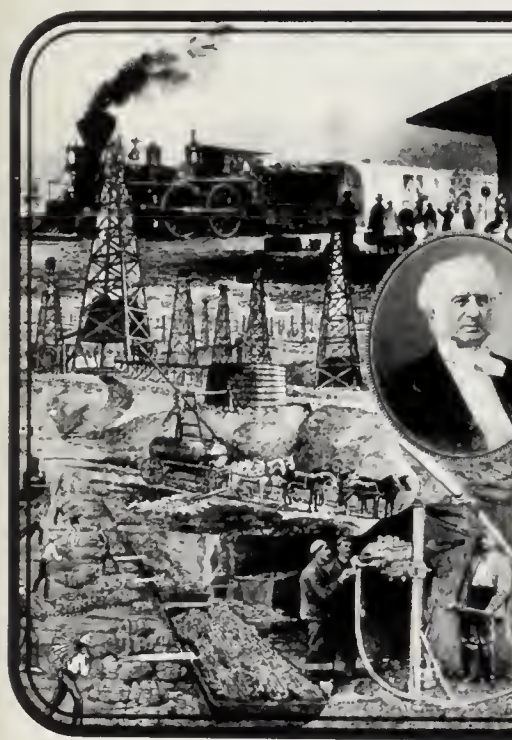
The virtual auction has also found its way onto the internet. Offered by Historische Wertpapiere Hiess, the online auction makes it possible to view images of antique securities and e-mail your bid from your home computer at no additional fee. The final auction date for the current set of certificates is November 17, 1996. Heiss's scripophily site is located at [www.ecos.de/hiess](http://www.ecos.de/hiess).

Scripophily related organizations and businesses can also be found on the internet. The Museum of American Financial History offers a variety of viewing options at its site at <http://www.netresource.com/mafh>. The Washington Historical Autograph and Certificate Organization (WHACO!),

located at <http://home.erols.com/whaco1>, has an attractive site that also offers in-depth information about scripophily. Mixing the print medium and the computer medium, Bookseller Ray Boas has created his own, easy-to-use, rapidly downloading site at <http://www.rayboasbookseller.com>. Boas's site, featuring books for the scripophilist, brings his Connecticut bookstore to a larger and international audience. The potential for a dramatic increase in customers and customer interaction is definitely a reality of the internet.

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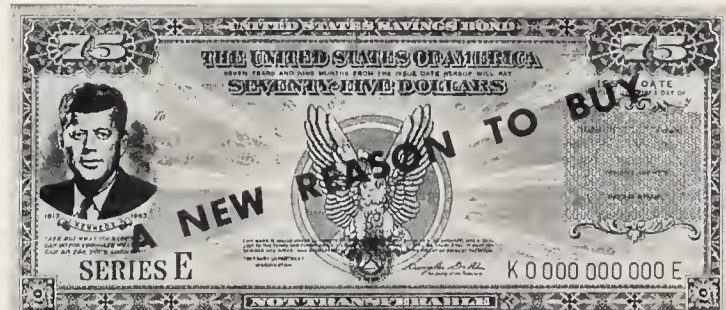
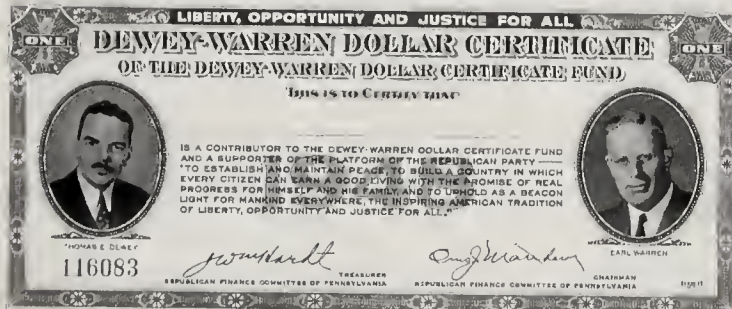
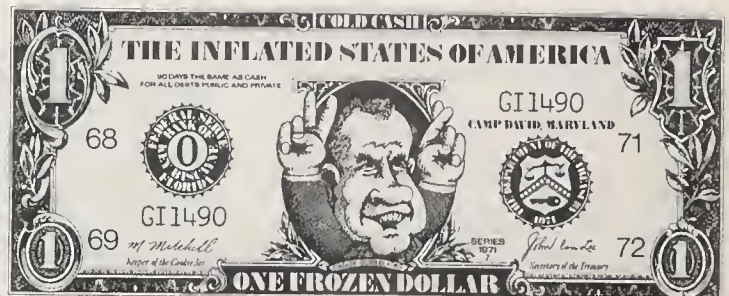
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## War, Watergate, Whitewater, and Wall Street: Politics as Usual

BY MEG VENTRUDO

Throughout history, politics and finance have gone hand in hand, even in the 20th century. Politicians used financial documents to promote patriotism. In 1948, Thomas E. Dewey and Earl Warren ran for president and vice president on the Republican ticket. Contributors to their campaign received this “Dewey Warren Dollar” as an acknowledgement of their donations.

In 1964, the Federal government capitalized on John F. Kennedy’s “Ask not what your country can do for you...” speech as part of the ad campaign for the \$75 denominated U.S. Savings Bond.

Financial satire can be an effective way to criticize the policies of some politicians. As inflation escalated during the Nixon Administration, the President was satirized on this one “frozen” dollar bill for

the “Inflated States of America.” The back of this bill states, “In God we Trust, All others pay cash.” Twenty years later not much has changed as Bill Clinton is pictured on the front of this “Disgruntled States of America” three dollar bill. (Three dollar bill courtesy of the Slick Times, Valley Center, CA) **FFH**



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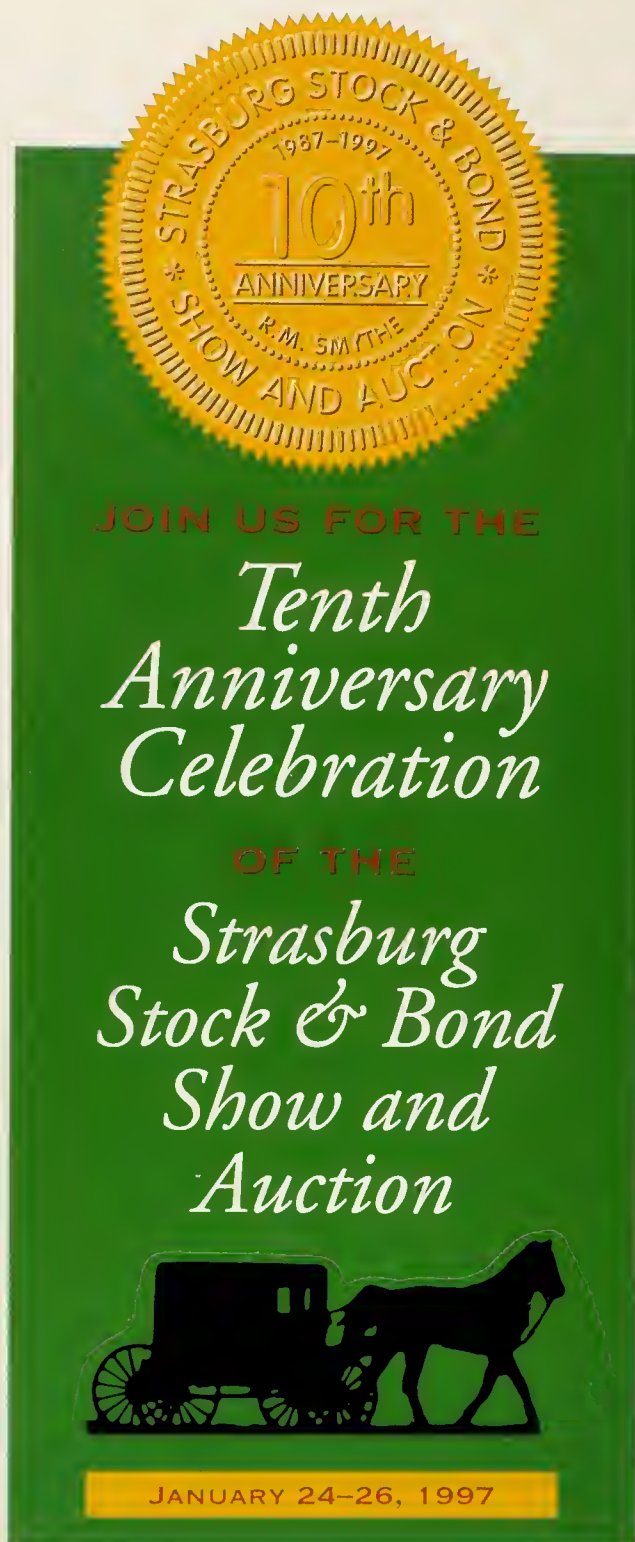
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